

Message Text

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PAGE 01 SINGAP 00968 010704Z

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FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 4682

LIMITED OFFICIAL USE SINGAPORE 0968

E.O. 11652: N/A

TAGS: EFIN, SN

SUBJECT: PROPOSED COMMERCIAL JET AIRCRAFT PROCUREMENT BY SIA

REF: STATE 041821

BEGIN SUMMARY: EMBASSY CONFIRMS SIA PURCHASE PLANS REPORTED
REFTEL. THERE IS STRONG COMPETITION FOR BOEING FROM THE
A300B, AND A SERIOUS SIA INTEREST IN A300B PROCUREMENT.
END SUMMARY.

1. SINGAPORE IS DEFINITELY IN THE MARKET FOR REPLACEMENTS
FOR ITS FIVE BOEING 737'S SIA DECISION WILL BE MADE
NO LATER THAN JULY, 1976 BETWEEN BOEING AND AIRBUS
INDUSTRIES PROPOSALS.

2. MAJOR PRESENTATIONS WERE MADE BY THESE TWO
COMPANIES LAST MONTH. BOTH AIRBUS AND BOEING SALES TEAMS
ARE PRESENTLY IN SINGAPORE FOR FOLLOWUP TALKS.

TECHNICAL TALKS ARE ALSO BEING HELD WITH REPRESENTATIVES
OF AIRPLANE ENGINE MANUFACTURES (PRATT-WHITNEY FOR
BOEING AND GE FOR AIRBUS).

3. TOTAL VALUE OF PACKAGE UNKNOWN, BUT \$79
MILLION NOTED REFTEL SOUNDS ABOUT RIGHT. BOEING APPARENTLY
HOPES TO SELL FIVE NEW 727-200S TO REPLACE FIVE OLD
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PAGE 02 SINGAP 00968 010704Z

737S. COST OF 727-200 IS \$10-12 MILLION EACH. AIRBUS,

ON OTHER HAND, IS PROPOSING TO SELL THREE A300BS AT \$18-24 MILLION EACH. AIRBUS PROPOSING THAT FOR THE MOMENT SIA KEEP THREE 737S FOR USE ON LOW VOLUME ROUTES. THESE WOULD BE REPLACED LATER BY ADDITIONAL THREE A300BS.

4. BOEING OFFIERS PROVEN PLANE, WHICH FITS IN WITH ESISTING ALL-BOEING SIA FLEET (IN ADDITION TO 737'S, SIA HAS TEN 707S AND FOUR 747S. DELIVERY OF FIFTH 747 EXPECTED IN APRIL. OPTIONS HAVE BEEN TAKEN FOR A SIXTH AND SEVENTH. BY EARLY 1980S, SINGAPORE AIRLINES IS EXPECTED TO HAVE A FLEET OF ABOUT NINE WIDE-BODIED AIRCRAFT.) 727-200 OPTION WOULD ALSO GIVE SIA IMMEDIATE ADDED CAPACITY. SIA HAS OUTSTRIPPED EXISTING 737 CAPACITY.

5. AIRBUS OFFERS MORE MODERN TECHNOLOGY, GREATER OPERATING EFFICIENCY, AND MARKETING APPEAL AS SOMETHING NEW AND DISTINCT. IN ADDITION, A-300 COULD SUBSTITUTE FOR OUT-OF-ACTION 747.

6. RELATED ISSUE IS QUESTION OF RETROFITTING SIA'S EXISTING FLEET OF 747S WITH GE ENGINES. THIS WOULD GIVE GREATER EFFICIENCY, ACCORDING TO REGIONAL GE ENGINE REPRESENTATIVE, AND WOULD GIVE SIA "BIG ENGINE COMMONALITY".

7. WHEN QUESTIONED RECENTLY ABOUT SIA PROCUREMENT PLANS, LYE KHAY FONG, DEPUTY MANAGING DIRECTOR OF SIA, TOLD COMATT "THREE PLANES NOW WOULD MAKE A VIABLE PACKAGE". HE FURTHER REMARKED THAT BOEING TECHNOLOGY WAS OLD, AND THAT FRENCH WERE OFFERING FINANCING IN EXCESS OF EIGHTY PERCENT. ACCORDING TO LYE, "THE THAIS PAID NOTHING FOR THEIR AIRBUS". ANOTHER SIA SOURCE REPORTED THAT AIRBUS MADE 12 YEAR LEASE/PURCHASE OFFER AND INCLUDED AIRCRAFT SIMULATOR AT HALF PRICE IN THE PACKAGE.

8. IN EMBASSY VIEW, SIA IS INDEED SERIOUSLY LIMITED OFFICIAL USE

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PAGE 03 SINGAP 00968 010704Z

CONSIDERING A300B PROCUREMENT. GIVEN A TECHNICAL STANDOFF, DECISION WILL PROBABLY BE DETERMINED BY QUESTIONS OF PRICE/FINANCING.

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